



State Employment After Retirement

Retirees of the State Employees Retirement System (SERS)

2007 PA 95, MCL 38.68c, requires retirees of the **State Employees Retirement System** who become employed by the State either *directly* or *indirectly* through a contractual arrangement with another party on or after **October 1, 2007**, to forfeit their state pension for the duration of the reemployment.

If retirees are employed *directly* by the **State of Michigan on or after October 1, 2007**, they **must** forfeit their pension upon **reemployment**. If their employment results from a contractual arrangement with the state, the type of contractual arrangement would determine if their pension is forfeited. If a state agency contracts with a third party and the contract includes services that are to be performed by a state retiree, then that retiree would need to forfeit his or her pension. However, if the retiree has a contract with the state as an independent contractor and not as an employee, he or she would not need to forfeit his or her pension because the act did not include this type of contractual arrangement. The **Office of Retirement Services** will rely on each individual department to ensure that any independent contract they put in place meets the criteria of an independent contractor.

This legislation does not apply to those retirees employed by the state directly or indirectly through a contractual arrangement *immediately preceding* October 1, 2007, as long as they remain continuously employed by the state, no matter their position. If they cease employment and become employed again, they lose their “grandfather” status and would need to forfeit their pension for the period of reemployment. Participants in the Defined Contribution (DC) Plan are exempt from this legislation, with the exception of those who transferred from the Defined Benefit (DB) plan to the DC plan, took the 2002 early out, and receive a retirement allowance based on .25% of their years of service times their final average compensation. This retirement allowance payment would need to be forfeited upon reemployment with the state, but the former qualified participant’s payouts from his or her DC accounts would not be affected. People affected by this legislation and who choose to return to work may remain in the retiree health care plan or may take active health insurances through their employer, such as their state department or their third party employer. They will become participants in the Defined Contribution plan during the time of reemployment if they are directly employed by the state.

If you return to work for the **State of Michigan** in a manner that makes you subject to this law, it is your responsibility to inform the **Office of Retirement Services (ORS)** *immediately* in writing. If at any time **ORS** becomes aware that you have received a pension payment during a time in which you were not eligible to receive one, **ORS** will recoup the money from you, or if applicable, your heirs. Interest may also be due on any pension payment received inappropriately.

When you are no longer working directly or indirectly for the **State of Michigan**, please inform the **Office of Retirement Services** *in writing immediately* so that we can restart your pension payments. Your pension will become effective again the month after you cease employment. You will not be eligible for a pension recalculation.

The act did not change your ability to return to any non-state related employment without penalty.

As always, please don’t hesitate to contact us if you have any questions.

